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TO AMEMBASSY ROME

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TAGS: EAIR, IT

SUBJECT: CIVAIR: GROUND HANDLING SERVICES AT ROME
AIRPORTS

REF: ROME 2614 AND PREVIOUS

SUMMARY: DEPARTMENT APPRECIATES EMBASSY'S ANALYSIS OF
SITUATION CREATED BY GOI ESTABLISHMENT OF MONOPOLY OVER
VARIETY OF GROUND SERVICES AT ROME AIRPORTS AND CONCURS
WITH EMBASSY'S RECOMMENDATION TO PROTEST MATTER TO MFA
WHILE AMBASSADOR MAKES PARALLEL APPROACH TO TRANSPORT MIN-
ISTER. ELEMENTS THAT CAN BE USED IN EMBASSY'S NOTE AND
AMBASSADOR'S APPROACH CONTAINED PARA 2 BELOW. END SUMMARY.

1. WE ARE CONCERNED WITH IMPLICATIONS FOR US AIRLINES OF
GROWING PROCLIVITY OF VARIOUS GOVERNMENTS TO ESTABLISH
GROUND HANDLING MONOPOLIES AT NATIONAL AIRPORTS. TO SOME
EXTENT WE HAVE BEEN SUCCESSFUL IN PAST IN POSTPONING FULL
IMPLEMENTATION OF SUCH MONOPOLIES AT SOME IMPORTANT POINTS.

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HOWEVER, GIVEN SUCCESSFUL IMPLEMENTATION OF MONOPOLIES AT

OTHER PLACES - AT LEAST FROM THE MONOPOLIST'S POINT OF VIEW - AND THE CLANISHNESS OF THE INTERNATIONAL AVIATION COMMUNITY, IT IS FAIRLY CLEAR THERE WILL BE FUTURE ATTEMPTS

TO ESTABLISH MONOPOLIES CREATING POTENTIAL PROBLEMS FOR US CARRIERS FOR SOME TIME TO COME. WE AGREE WITH EMBASSY THAT ITALIAN SITUATION IS UNSATISFACTORY AND WE SHARE EMBASSY'S CONCERN THAT IT COULD BECOME WORSE. IN ADDITION WE ARE CONCERNED WITH OBVIOUS PRECEDENT SCOPE OF THE ITALIAN MONOPOLY WILL HAVE ELSEWHERE.

2. IN GENERAL, THE US IS OPPOSED TO GROUND SERVICES MONOPOLIES ON A NUMBER OF GROUNDS. (A) FIRST, THESE SERVICES ARE INHERENTLY PART OF AND INSEPARABLE FROM OVERALL SCOPE OF COMMERCIAL AIRLINE OPERATIONS WHICH SHOULD BE LEFT TO INDIVIDUAL AIRLINES. (B) AS THE ITALIAN CASE ELOQUENTLY DEMONSTRATES, MONOPOLIES OVER AIRCRAFT RELATED SERVICES, WHICH COULD AS A PRACTICAL MATTER BE TOLERABLE UNDER IDEAL, EVEN-HANDED CONDITIONS, CAN LEAD TO ESTABLISHMENT OF MONOPOLIES OVER OTHER ASPECTS OF AIRLINE ACTIVITIES SUCH AS CHECK-IN COUNTERS AND CATERING THE QUALITY OF WHICH THE PUBLIC RELATES TO THE AIRLINE ITSELF AND WHICH AS INDICATED IN (A) ABOVE ARE ORGANIC TO INDIVIDUAL AIRLINES. (C) WHEN US CARRIERS ARE REQUIRED TO USE MONOPOLY SERVICES, THEY VIOLATE RECIPROCITY AND INTERNATIONAL COMITY SINCE FOREIGN AIRLINES AT US AIRPORTS ARE FREE TO PERFORM THEIR OWN GROUND SERVICES OR TO USE AGENTS OF THEIR CHOICE. (D) AS GENERAL PROPOSITION, MONOPOLIES ARE DISCRIMINATORY WHEN THEY ARE GIVEN TO COMPETITOR NATIONAL AIRLINES WHICH THEN RESERVE PREFERENTIAL TREATMENT FOR THEMSELVES OR WHEN COMPETITOR NATIONAL AIRLINES ARE NOT REQUIRED TO USE THE MONOPOLY SERVICES TO THE EXTENT THAT COMPETITOR NATIONAL AIRLINE IS FREE TO PERFORM ITS OWN SERVICES OR TO RECEIVE PREFERRED TREATMENT - WHICH IS CASE AT LEAST IN PART IN ITALIAN SITUATION - THE MONOPOLY IS COUNTER TO THE "FAIR AND EQUAL OPPORTUNITY" PROVISIONS OF THE CIVIL BILATERAL (ARTICLE 9(A)). (E) IN ABSENCE OF COMPETITIVE CONSTRAINTS MONOPOLIES ARE LIKELY TO RESULT IN HIGH PRICES AND POOR SERVICE. (F) FINALLY, AS THE EMBASSY NOTES, THE ESTABLISHMENT OF MONOPOLIES CONTRAVENES ACCEPTED LIMITED OFFICIAL USE

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INTERNATIONAL PRACTICE AS RECOMMENDED BY ICAO IN RECENT AMEND TO ANNEX 9, 6.4; AND, INsofar AS NATIONAL CARRIER RECEIVES PREFERENTIAL TREATMENT THE ESTABLISHMENT OF MONOPOLIES CONTRAVENES ARTICLE XV OF THE CHICAGO CONVENTION.

3. WHILE PRE-MONOPOLY PRACTICES AT ITALIAN AIRPORTS SUGGEST WE WILL EVENTUALLY BE FACED WITH SITUATION RE-

QUIRING PROTEST DRAWING ON ALL OF THE ABOVE, BELIEVE
THAT EMBASSY IS IN BEST POSITION TO DETERMINE WHICH ELE-
MENTS ARE APPLICABLE TO PRESENT SITUATION. EMBASSY
SHOULD THEREFORE PREPARE NOTE TO MFA AND ARGUMENTATION

FOR AMBASSADOR'S APPROACH BASED ON ITS EVALUATION OF
THE SITUATION.

4. WITH REGARD TO CIVAIR CONSULTATIONS, WE ARE TRYING
TO FIND TIME IN OTHER WISE HEAVILY COMMITTED NEGOTIATING
SCHEDULE TO PROPOSE TO ITALIANS. GROUND SERVICES ISSUE
IS OBVIOUSLY ITEM WE WILL WISH TO DISCUSS.WOULD APPRECIATE
EMBASSY'S RECOMMENDATIONS AS TO OTHER ITEMS TO BE
RAISED. KISSINGER

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